Human Events *A Weekly Analysis for the American Citizen*
Editorial Office 1710 Rhode Island Ave., N. W., WASHINGTON 6, D. C. *Telephone* NATIONAL 2066
VOL. VI, NO. 43, *Issue Number* 300, OCTOBER 26, 1949 ★ *Editors:* FELIX MORLEY & FRANK C. HANIGHEN

THE MARSHALL PLAN: A BALANCE SHEET

by William Henry Chamberlin

The United States since the end of the war has given to foreign countries over $23 billion in grants and loans. The distinction is nominal, rather than real. It is highly improbable that any large portion of the loans will ever be repaid.

Barring some sensational change in the world situation, or in the mood of Congress, we shall probably appropriate another $10 billion for European economic aid before the Marshall Plan comes to an end in 1952. If one adds subsidies for the rearming of Western Europe our prospective foreign aid bill by 1952 will be in excess of $35 billion, a tidy sum even in these days of record expenditures, taxes and money wages.

The purpose of this unprecedented outlay has been twofold: to put Western Europe on its feet economically and to stop the spread of Communism outside the large area which is under Soviet military and political control. How far has this purpose been achieved? What is the balance sheet of the project which is best known on both sides of the Atlantic as the Marshall Plan, despite the various alphabetical abbreviations, OEEC, ECA, ERP, etc., with which it has become encrusted?

I have recently spent three months visiting most of the countries of Western Europe, including Germany, in an attempt to find the answer to these questions. My final impression is that there still is no definite answer. There is a balance sheet, with plus and minus items. It is only in the light of future developments that one will be able to describe the Marshall Plan as an unqualified success or a dismal failure. And of course no one can say with certainty what would have happened to Europe politically and economically if we had closed our purses firmly, apart from commercial loans and investments, after the end of the period of direct relief represented by UNRRA.

Compared with 1946, the date of my previous visit to Europe, physical improvement is marked, in terms of food, clothing, transportation. This improvement is least visible in Britain, most striking in Germany, where, of course, it began from a subhuman level.

One also finds less fear of war and of Communist seizure of power from within. West European Communism seems to have declined from a

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threat to a nuisance. People are working with more feeling of security for the future, with less of the nervous desire to emigrate at any cost.

On the other hand, the acrimonious wranglings of the Marshall Plan beneficiary governments over amounts and methods of distribution, and the wave of devaluation touched off by the severe slash in the nominal value of the pound, clearly prove that American subsidies have been no panacea for Europe's deep-seated economic maladjustments. Only a few of the West European countries, such as Spain, Switzerland, Belgium and Portugal, are in a position to square their international accounts without continued American aid.

II

The mechanics of the European recovery program are not unnecessarily complicated. The United States distributing agency, the ECA (Economic Co-operation Administration) is headed by Paul G. Hoffman, with headquarters in Washington. Its European headquarters, under the direction of Averell Harriman, are in Paris. Some 450 persons are employed in the Paris headquarters; about an equal number are attached to the various ECA missions in every participating country.

Paris is also the headquarters of the OEEC (Organization for European Economic Co-operation), composed of representatives of the sixteen participating governments. The OEEC decides how the American appropriation is to be divided and functions under unanimity rule.

Twice this year the OEEC has been rocked by serious dissension. Last June the issue was whether nations which received sterling credits from Britain (for which Britain was compensated with American dollars) should be allowed to convert this sterling into other currencies or should be required to spend it in Britain. The continental countries wanted convertibility; Sir Stafford Cripps bitterly opposed it -- a significant admission of the weakness of the British competitive position. The compromise was that a limited amount of the sterling credits could be converted into other currencies.

The second dispute was more serious. In August the British delegation in the OEEC suddenly raised its request for 1949-50 ECA funds from about $900 million to about $1.5 billion. The other beneficiaries did not take kindly to the idea of cutting their requests so that Britain would receive a larger slice of the pie. Finally the British receded from an untenable position, after the Secretary of the OEEC, Robert Marjolin, bluntly observed that Europe's dollar problem was "not on the way to solution".

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Governments, not individuals, are the recipients of free aid under the Marshall Plan. The British, French, Dutch or German importer, of machinery or cotton or wheat, pays the market price in his local currency. This process creates what are known as counterpart funds, accumulations of pounds or francs or guilders or marks which may only be spent with the approval of the ECA. These counterpart funds have been used to retire short-term government debt, thereby combatting inflation, and to finance public works, such as the draining of the Zuyder Zee in the Netherlands and the financing of land reclamation schemes in Italy.

III

ECA makes the impression of being efficiently administered, perhaps because it was staffed at a time when there was a Republican majority in both Houses of Congress and a Republican victory in 1948 was anticipated. The heads of the ECA missions are mostly men with solid business and financial experience and with a sense of responsibility to the American taxpayer. They proceed on the assumption that 1952 will be the terminal date for direct subsidies, and they are anxious to taper off their programs so that the eventual jolt will not be too severe.

There has always been a danger that ECA would become a convenient means of subsidizing export industries with public funds. It has not been possible to avoid this kind of pressure altogether. But official ECA policy, which seems to be followed fairly faithfully, is to screen every request with a view to finding out if it can be better satisfied from within the country or from sources outside the United States.

For instance, when Italy recently put in a request for two million tons of coal from America, the ECA mission in that country suggested that this coal was available in Poland and should be purchased there. This policy is not altogether acceptable to European governments, anxious to get free of charge what they would otherwise have to pay for, or to American exporters who would like to be paid with ECA funds.

What the ECA has done is to finance, in whole or in part, the West European requirements for staple foodstuffs, such as wheat, for such basic raw materials as cotton, wool and metals, and for certain types of machinery which are only available in the United States. At the same time the counterpart funds, especially in Britain and France, have been used with a view to lessening the danger of inflation. The economic progress of Western Europe during the last three years would have been impossible without this American economic blood transfusion.

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The negative side of the picture, which is causing much worry both to thoughtful ECA administrators and to farsighted European statesmen, is that American aid has not been accompanied by an adequate amount of European self-help. It would have been wholesome if European governments had held an urgent council, based on the assumption that the United States, as a result of some calamity, had ceased to exist. Surely 250 million Europeans would not then be utterly helpless!

For a nation, as for an individual, there is a strong temptation to regard a subsidy as indispensable, instead of taking bold and vigorous measures which would render the subsidy unnecessary.

Despite much discussion and some eloquent exhortations, progress toward West European unity has been regrettably slow. Although some form of federal union is imperative, the West European countries are more divided, more shut up in hermetically sealed economic compartments than they were before the war. At that time exchange control, now the rule rather than the exception, was virtually unknown.

The continuation of dismantling of important German steel and chemical plants, and the imposition of one-sided economic controls on many branches of German economic life, are also entirely inconsistent with a free voluntary union of European States.

The tremendous unbalance of payments between the United States and Western Europe creates a dilemma for Americans, as well as for Europeans. It is certain that the United States must make one of three choices: (1) give away part of our substance, as we have been doing, under various forms, since the First World War, (2) export less or (3) import more. But each of these choices is psychologically distasteful to politically influential groups.

Probably the soundest American policy would be to use the enormous influence which ECA places in our hands to give a much stronger lead in the direction of European unity. There should be some means of rewarding those governments willing to take some risks for multilateral trade and of penalizing those which employ bilateral commercial agreements -- the curse of modern economic life. And while we correctly preach the advantages of competition and larger free trade areas to Europeans, we should be willing to practice our own doctrine by encouraging access to our own markets of those goods which Europeans can produce more cheaply and efficiently than we can.

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Not Merely Gossip *A Supplement to* Human Events Vol. VI, No. 43

By Frank C. Hanighen October 26, 1949

AMERICAN BUSINESS CONDITIONS: Sunlight -- is it autumnal sunlight? -- bathes the American economic scene. The stock market has kept to a high level for many weeks. The White House maintains at least outward complacency in face of a long steel strike which carries a big threat to the business situation. There are even predictions, in the periphery of the Executive, that an end to the steel and coal strikes will produce a rush of business after activities, dammed up by the shutdowns, are released. And behind it all is the inflationary influence of a budgetary deficit on which we seem destined to operate for the next few years, with all that implies. Yet, in the past week, Presidential economic adviser Nourse resigned and criticized Government economic policies. And there are other Cassandras who gloomily examine the omens.

What are these negative signs? The devaluation of foreign currencies cannot be regarded as other than a deflationary influence in the U.S. in coming months; we have had big exports which are now declining. Charts of key activities carry a warning. They show auto production at a new historic high, and building construction down somewhat, but still near an all-time high level. The drop in corporation earnings is noteworthy; those of Philco and Montgomery Ward, for instance, have fallen in a ninety-day period 75 and 61 per cent respectively. Finally, we have been impressed by a chart of wholesale prices of all commodities over the past 150 years. The index reached an all-time high point in 1948, has declined a little, but not as fast or deep as in 1920. Those who pore over these red signals concede that the U.S. Government seems launched on a political course of great inflationary character. But they cannot overlook the possibility that before another great cycle of inflation gets under way there may be some sharp readjustment.

Other observers study the possible effect of the great strikes on the economy. In this connection, the Canadian view is worth noting. The Verner Ottawa Letter (October 10) says that the American coal and steel strikes "constitute a menace to Canadian industrial operation -- if they persist. And it also follows that the aftermaths of these strikes will impose new burdens upon the North American economy. . . . We have insisted time and time again that when production of so basic a material as steel is shut off from the industrial economy it must constitute a loss that can never be retrieved. A ton of steel produced is a ton of steel in hand, a constructive addition to the lifeblood of industry. Fail to provide that ton and the bloodstream is weakened correspondingly."

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TABER: Congressman John Taber (N.Y.), stern watchdog of the House Appropriations Committee, has come out with an interesting interpretation of President Truman's much derided statement in Kansas City several weeks ago. "Perhaps the most astounding statement" said Taber (see Congressional Record, October 14), "that we have read in recent weeks was Mr. Truman's announcement that he was going to raise the average income of the people from $1,350 per family to $3,500 per family. The objective of that increase is very subtly concealed. The Truman program calls for enormous increases in spending. It calls for so many more expenditures that our deficit for the current fiscal year is bound to be $5,500,000,000. . . .

"Now", continued Mr. Taber, "a family with $1,350 income has no income tax to pay if there are three exemptions available. If there are three exemptions available and the family income is $3,500 there is a tax of $228. It is obvious that the inflation Mr. Truman is trying to promote is for the deliberate purpose of raising

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the tax take-out of the poor people in America. The withholding tax for the fiscal year 1948, during a large portion of which the tax cut of 1948 was in effect, was the largest in our history, and the tax take at the present time is holding up to practically the same figure that it was last year, in spite of the unemployment that has existed since the early spring of 1949. What does this mean? That the President has been able by increased wages and increased prices to increase the amount that the poor man has to pay to the Government and to get a tax increase without getting a tax raise from Congress. The poor man will be no better off with the inflation that will be necessary to increase his income. In other words, the prices will be raised more than his wages. His tax will be raised enormously and the resulting picture will be that the poor man will be worse off. These big figures and these wild statements on the part of Mr. Truman are being made for the deliberate purpose of fooling the working man into believing that because he gets more wages he will better his position. As a matter of fact, because of the increased tax that will be taken out of him and the increased price that he will have to pay he will get less than he had before."

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ANTI-TRUST DIVISION: It is high time that the Congress investigate the ideas of the Anti-Trust Division of the Department of Justice. The suit against the A & P shows that the Division has abandoned the philosophy of its former boss, Thurman Arnold, and now prosecutes large firms simply because they are large. And recently the American Medical Association exposed some odd doings by the Anti-Trust Division investigators. The AMA on October 6 said that 16 state societies and other medical organizations, as well as the AMA, have been made the targets of investigation by the Anti-Trust Division; and someone, probably the same probers, broke into the AMA's board room last February and went through their papers. Attorney General McGrath, in explanation, admitted the investigations, but said they were prompted by reports that the AMA was trying to "monopolize" prepaid medical care plans.

Now it may be that the AMA is attempting to monopolize such organizations. But we have heard no shriek of alarm from the Blue Cross, listed as being investigated by Justice. Such prepaid medical care groups have built first rate voluntary systems which have drawn wide praise. It may well be that the AMA is not exaggerating when it charges that the Department of Justice is waging a campaign to "terrorize physicians into abandoning their opposition to compulsory health insurance". It could be. The old adage about regarding suspiciously the man who stridently cries "stop thief" is a good one. Big Government in order to become bigger, to become the one and only monopoly, shouts "monopoly" at any competitors.

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EUROPEAN CONDITIONS: Our colleague, Felix Morley, has just returned from a two month trip to England, France and Germany. As we were about to go to press, he chatted of conditions in the countries he visited and so we set down a kaleidoscope of his impressions, as follows:

Germany. Few in the United States realize the handicap from which the new Adenauer Government suffers -- a handicap placed on it by the Western Powers. In America we dismiss the Eastern zone government as a "Soviet puppet", but we don't know that Germans constantly refer to the Adenauer Government as a "puppet" of the Western Powers. Sarcastically, they talk of the "Three Kings", the three High Commissioners representing France, Britain and the United States. While the U.S. was absorbed in the World Series, Germans were absorbed in the spectacle of a protracted argument between the "Three Kings" in Paris. U.S. High Commissioner McCloy had to run, hat in hand, to the French capital to obtain from his two colleagues a devaluation of the German mark, to meet the devaluation of the pound. Meanwhile,

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German business was paralyzed. And the Dutch keep snipping off German territory, a few miles here and there, and blandly appropriating these areas. And dismantling is a hot-under-the-collar topic with every German, not the least the expellees in their camps. Where will they find work, if factories are destroyed? The Eastern zone government is making great headway with its propaganda among Germans in the Western zones. A crisis is approaching and this winter Americans may be watching a real "World Series" in the new Reich, but it won't be baseball.

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Britain. The dynamic figure of Left Wing "Ny" Bevan dominates the British scene. Whatever the results of the general election, this fighting Socialist will remain as a top figure in the country. Most of the Labor Party leaders are sick or discredited. Ernest Bevin, Attlee and Morrison are definitely ill men; Dalton has virtually retired from the picture; Cripps' prestige is sinking. Theoretically, the Tories have a good chance, for even Laborites admit that Attlee's delay in holding the election is a mistake, from the standpoint of Labor's chances as well as for other reasons. But, it is significant to note, the Tories are haunted by memories of the American election of 1948. They recall that Dewey seemed to have a certain chance of winning, yet was defeated because he was "me too". The Tories look at their Party program, admit that it is also "me too", and fear that they will "miss the boat" like the GOP.

France. Few in the United States know anything about a factor which continually harasses Frenchmen -- the problem of Indo-China. A really big war is going on there with sapping losses for France. The story is that there are on the average about 100 casualties a day; many of these soldiers are being flown back to France. About five French divisions are fighting the native insurrection. Americans don't know it, but informed Frenchmen say that most of the arms aid allocated to France under our North Atlantic Arms Aid Program will be used for this war in the marches of the French Empire. And few Frenchmen are hopeful about the prospects of holding Indo-China, particularlly since the Communist success in China.

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TRANSFER OF POPULATION: The Soviet Government, we learn, would like to negotiate a deal with the United States to obtain financial assistance, know-how and equipment to develop Communist China, and would be prepared -- in return -- to allow a large part of the 8.5 million German "expellees", now burdening the economy of Western Germany, to return to their former homes in Eastern Europe. This story has not been confirmed, there is no evidence that Moscow has officially made such a suggestion, but Government officials recently in Germany are convinced that Moscow has conveyed this offer to intermediaries whom the Kremlinites knew would pass it on as a feeler to U.S. authorities. Whether or not the proposal comes to anything, it does point up the seriousness of the problem of transfer of populations.

This subject has been under investigation by the House Sub-Committee on Immigration, which has just returned from a trip to Europe. The group is now preparing a report which will be presented at the next session of Congress. The thorny problem is the mass of German expellees, transferred mainly from Eastern Germany and the Sudetenland to the Western zones where they impose a great burden on the Allied regimes. The Committee, before arrival in Europe, entertained hopes that four or five million of these unfortunates could be settled in South America. But in Germany they discovered that a majority of the expellees did not want to emigrate and were stubbornly confident that ere long they could return to their former homes. Reports of Russia's offer fed these hopes, despite the fact that the Committee gave no encouragement that the U.S. would assent to such a deal. Therefore, only about one million of this 8.5 million bloc of Germans could, it is estimated, be taken out of Europe.

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Book Events

Soviet Gold: My Life as a Slave Laborer in the Siberian Mines, by Vladimir Petrov; translated from the Russian by Mirra Ginsberg. New York: Farrar, Straus and Company, $4.00. Reviewed by J. M. Lalley.

For the obvious reason that very few survive and fewer still escape, first-hand information concerning the Russian slave labor camps has been relatively scarce; and it was long possible for American fellow travellers to deny that such places existed on the stupendous scale alleged by enemies of the Soviet regime. The first reliable testimony came from Professor Tchernavin, a well-known ichthyologist, who in 1932 with his wife and small son made an heroic and miraculously successful flight in an Arctic winter across the Karelian forests into Finland. Several years later appeared the prison memoirs of Iulia de Beausobre, whose ransom, as was then possible, had been purchased through Intourist by some British friends. In 1947 depositions by the Polish captives released under the Sikorsky-Stalin agreement were published in a volume called The Dark Side of the Moon.

Unlike the Tchernavins and Mme de Beausobre, Mr. Petrov is a Russian of the post-revolutionary generation. In 1935 he was a young engineering student at Leningrad and was one of thousands seized there in the terror that followed the assassination of Sergei Kirov. After a year or so in the jails of Leningrad and of incessant interrogations by Tchekist examiners he was convicted of the relatively minor charges of attempting to organize anti-Soviet activities and of plotting to rob savings banks and collective-farms, and received the relatively mild sentence of six years at hard labor. He made the journey of 47 days across European and Asiatic Russia in a filthy and scarcely ventilated boxcar in the company of nearly three score fellow-convicts. From Vladivostok they were transported by ship to the Kolyma gold fields. When he arrived Mr. Petrov was seriously sick of tuberculosis contracted in prison and of a scurvy that had developed in the course of the journey. In a sense, however, Mr. Petrov was lucky, for at both the beginning and end of his term he was employed as a draughtsman in the administrative offices at Magadan. Even when, as a punishment, he was sent North to the mines, he managed most of the time to get himself assigned to such tasks as tree-cutting and ditch digging rather than to the killing labor in the pits, although as a "counterrevolutionary" and "intellectual" he belonged to the lower caste of convicts, in contrast to "anti-socials", or non-political criminals, who constituted a sort of elite. Mr. Petrov describes in much harrowing detail the dehumanizing effects of the almost hopeless struggle for survival in this frozen inferno where the principles of piecework and cost accounting were applied with a ruthlessness undreamed of in the worst phases of capitalist industrialism. The food allowance of the laborer was determined strictly by his power of production, but it was at best insufficient for subsistence. Thus he had only the choice of death by exhaustion or by slow starvation.

In the course of his conversations with other prisoners and with officials Mr. Petrov picked up a good deal of interesting information. He learned for example something about the part played by Russian psychiatrists in devising the methods employed by the NKVD to break down the personalities of important prisoners and in priming them for appearances at propaganda trials. He learned that the assassination of Kirov was in some way related to a gigantic conspiracy within the Tchekist hierarchy. He received intimations that Marshal Tukhachevsky's accomplices had actually been in communication with the Nazis, though not, indeed, for purposes of espionage, and that the plot for a Red Army coup had been betrayed to Stalin by the French intelligence. But perhaps even more significant is his testimony concerning the vast reservoirs of voiceless hatred accumulated in Russia for the system of power that holds all but a handful of the highest personages in a perpetual fear.

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European Supplement *to* Human Events Vol. VI, No. 43

By Bertrand de Jouvenel PARIS -- October, 1949

The pound -- what happened to it -- and Tito -- what may happen to him -- were Europe's two major themes of conversation in late September; with the creation of the Eastern German government, the French political crisis and speculation about British elections bidding for attention in early October.

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THE THOUGHTLESS POUND: The impact of British devaluation is somewhat puzzling. This had been expected for a long time. Yet when it came, many Continental governments seemed to be completely taken by surprise. Further, devaluation had been advocated for a long time on the Continent as well as in the States: British obdurateness in refusing to devalue was generally regarded as a major stumbling-block to the readjustment of currencies in relation to the dollar, which was deemed a necessary step towards the restoration of intercontinental equilibrium. The Continental delegations at the Strasbourg Council of Europe had expressed what was almost irritation when the British delegates refused to put this currency adjustment on the agenda of European progress. But, when the devaluation occurred, its long vaunted advantages were forgotten and the difficulties attendant caused great mental agitation. In short, Britain was taxed with holding Europe back when she refused to devalue, and accused of being completely insular when she devalued.

The fact is that this measure, which had been expected to bring more unity and order in the European area, seems to have caused disruption, and has brought in its train the fall of the French Government and the sharpening of Franco-German antagonism. This unfortunate impact may be due in part to the manner of the British move. French official circles had been completely deceived by Sir Stafford's strongly worded denials, nor had even French experts contemplated a devaluation of such extent, their lowest bet being three dollars to the pound.

A new franc rate had to be chosen in a hurry, and as all minds had up to then been turned towards bringing down internal prices, the new dollar price proposed by M. Petsche was that which had been contemplated in the case of a pound devaluation to $3.20, namely 330 francs to a dollar, the price then ruling on the semi-free exchange market. Experts argued against him that France would hurt her fast improving exports were she to cut prices by less than the British. This then involved a rate slightly above 390. Finally 350 was agreed upon as a compromise measure. It was hoped that the cheapening in francs of imports from the sterling area would make up the increased costliness of dollar imports, a hope soon dissipated by the immediate increase of sterling prices for raw materials. It seemed necessary to keep down the price of Ruhr coal, and this led directly to some unpleasantness with the Germans. The internal price situation, in short, was a major preoccupation.

It was seized upon immediately by M. Daniel Meyer, the Socialist Minister of Labor, who precipitated the French political crisis.

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THE FRENCH POLITICAL CRISIS: M. Daniel Meyer foretold grievous increases in the cost of living and called together the eight chief representatives of the central government in the provinces, which he could not do without the consent of the Minister of the Interior, his fellow Socialist, M. Jules Moch. He instructed them to confer or have their subordinates confer with Labor leaders on the advisable increase in wages, hinting to them, it is said, that an 8 per cent raise might be the

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right answer. He then proceeded to push his views in Cabinet meetings. It seemed to him a golden opportunity to credit the weak Socialist unions with a victory. If they were tipped off that the Government would agree to a certain rise and then demanded it, they would gain credit with the working class, and leave the far stronger Communist unions bewildered and out-maneuvered.

The bulk of the Cabinet took a solid stand against this suggestion and even a number of other Socialist ministers remained neutral. It is denied that an overall rise can improve working class standards, as it means so much more consumer expenditure on a limited supply of consumer goods and must therefore raise their prices. Since price increases were feared, it did not seem reasonable, therefore, to take action causing them. But the ministers hostile to the Daniel Meyer suggestion were, on the other hand, facing a bleak prospect. Committed to a policy of blocked wages and lower prices, they felt they had to check the rise of dollar goods in francs and this seemed to call for some form of subsidy: that meant retracing their steps after a long and painful process of liquidating subsidies. One of the ministers who had distinguished himself in the fight for orthodox economics told your correspondent: "In fact, the British Socialists are indirectly forcing us back to Socialist measures." This note was to be emphasized in the following days.

Such forebodings, and the extreme physical fatigue brought about by the exhausting task of keeping together such a heterogeneous team, explain M. Queuille's retreat from office. At the time when this decision was taken, it seemed that, possibly after a long crisis, there would ultimately be another cabinet which would resume the Queuille policy as the only possible one.

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THE FOURTH VS. THE THIRD REPUBLIC: The climate of the political crisis has provided a useful test of the progress achieved by France towards normalcy. In sharp contrast to the atmosphere prevailing during the last crisis out of which the Queuille government was painfully born in September, 1948, there was no public anxiety, no feeling that the political institutions were breaking up, no fear of a revolutionary situation, no squinting towards a strong man, no counting up the number of police forces or speculation as to their reliability. In short, the restoration of the Republic was proved to be an accomplished fact. This should be credited to the three successive governments of Ramadier, Schumann and Queuille, the latter deserving perhaps the greater part of the praise.

In France, governmental instability may not imply as grievous harm to the public as one might think: it is quite possible for governmental shifts to leave the general line of policy quite unchanged. This was the case more often than not under the Third Republic and the continuity, or near continuity, of the Ramadier, Schumann, and Queuille policies pointed to a restoration of this habit. There was no doubt, at the outset of the crisis, that the trend of gradual return to democratic freedoms, to sounder finance and saner economics would be unbroken by the incoming Cabinet, whoever assumed command.

However, in the course of the crisis, a strong current was observed to run against this general policy. It seems that the mild deflation which had brought about an improvement of French exports, and was meant to cause a decline in prices, has badly pinched some business men. They are determined to obtain a reversal of this policy. A far more powerful interest has been injured by the Queuille regime: the black market, which thrives on controls and which is put out of business by their disappearance. The magnitude of this interest defies imagination: it has been officially stated that black market transactions if registered would have meant 200 billion francs more in taxes! This interest fights for the retention of the last existing controls and for the restoration of former controls. It finds itself in harmony with the honestly held convictions of the Socialists.

The political restoration upon which Queuille, after Ramadier and Schumann, was engaged, was in fact the restoration of the Third Republic. The old men were coming back, bringing the old practices of tolerance and the old spirit of individ-

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ualism. Queuille's France is not very different from pre-war France and in fact pre-1936 France. The "new men" of 1944 are divided in their attitudes towards this phenomenon: some have adapted them very well to an atmosphere of peace and a spirit of hail-fellow-well-met; to others this is too soft, too different from their dreams of a dynamic Fourth Republic with ardent groups taking arbitrary action. It is an error to believe that such malcontents are to be found only in the Communist or Gaullist parties, there is an invisible line which runs through the country, dividing those who cherish the Fourth Republic and those who wish to revive the Third. Rightly or wrongly, the former pinned their hopes on M. Moch. Here was a dynamic man, not a "softie", one who likes blueprints and does not recoil before the use of force, one who is known to be faithful to the comradeship of the Occupation days.

Thus on deflation, on controls, on the spirit of political institutions, on Germany, there was a distinct countercurrent running to the Queuille policy, and this directed the course of M. Moch's ship of state. But it was not strong enough to bring this Socialist into power.

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THE SOCIALIST CLAIM: M. Moch's effort in France should be looked at as a part of the general European picture. There is a distinct reaction of Socialists against the general trend to economic liberalism. It is argued that the Socialists should not serve as a passive Left branch, that they should, as in England, take the lead, that they and they alone can rescue the masses from Communist influence. It is pointed out that Communism is at its weakest in Socialist Britain. The Norwegian elections are made much of: there the Socialists have just won all but one of the eleven Communist seats in Parliament.

In Paris the serious evening paper Le Monde carried a characteristic article by that brilliant young journalist Servan-Schreiber, deploring American demands for economic orthodoxy, and suggesting that this must create social hardship with attendant political dangers. This journalist's conclusion is in substance that the political desirability of building up an Atlantic political community should be given preference over the desirability of restoring economic equilibrium. The implication, of course, is that Socialism in Europe is more apt to retain the masses in the Atlantic system than economic liberalism.

In fact the workers, turning away from their political unions, are just about ripe for a regime of free enterprise offering them real rewards for hard work. It must be said that employers are setting them a bad example, are at present prone to pervert the meaning of free enterprise, apparently confusing the liberty not to compete with one of the four freedoms. If the prejudice against price-cutting, the habit of charging all the traffic can bear, the spirit of combination in restraint of trade, if all these evil traits of the European entrepreneur are not attacked head-on by Governments determined to establish competitive conditions, then European opinion must rapidly shy away again from the system of economic freedom.

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THE STERLING AREA: We can here touch but lightly upon the as yet unknown consequences of devaluation for England. One hopes that it will bring about an increase of British exports to the dollar zone. But Britain has a problem which is increasingly coming to the fore: the problem of the sterling area. From a table in the Survey of Current Business, it appears that three-fifths of the sterling zone dollar deficit in the first six months of 1949 was on account of the sterling area, England excluded. This, if one trusts to a study by Dr. Ernest Stern in the English journal The Banker, is but a small part of the onus imposed upon Britain by the sterling area, treated as distinct from the United Kingdom. This area, Dr. Stern holds, runs a deficit of its balance of payments with the world at large, amounting to half a billion pounds for 1948 and to three hundred million for the first six months of

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1949. This embraces a straight deficit with the dollar zone, an enormous deficit with England, and a deficit with third countries, all of which is in effect carried by Britain. That country expends a large part of its exports, one eighth, in unrequited exports to the sterling area, while its surpluses in third countries are expended by the sterling area.

If things are indeed so, it seems that no improvement of England's own position can be such as to enable her to carry this burden. It is noticeable that the sections of the sterling area which are most burdensome are India, Pakistan and Burma on the one hand, and South Africa on the other, all strategic regions. There seems to be a case for recognition of the British effort in this respect: that part of England's payments gap is not to be charged to internal economic errors and might perhaps be segregated.

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TITO: In a striking article, the Sunday Times of London has brought up the awkward problem: "What are we going to do about Tito?" All the good little boys of the West have watched with increasing glee the little bully Tito breaking away from the big bully Joe and standing up to him. The ruder he waxed to Joe the more we liked it, we came to shout encouragements and to give him marbles. But if Joe should move, then what? "All aid short of war?" That covers the case of guerilla warfare waged against Tito by the Macedonian guerillas beaten out of Greece and turned right about face against Yugoslavia. It would not cover the case of Russian attack.

Leaving this aside as rather improbable, there still remains the distinct possibility of a Balkan tussle, with Yugoslavia's neighbors supporting more or less openly a Stalinist insurrection in Yugoslavia. There are not a few young men in France raring to rush into the international brigades of Tito, to fight as they say "against imperialism for an honest-to-God anti-capitalist society".

This links up the eventual Yugoslav affair with the Spanish war of thirteen years ago. It is remarkable how many members of the International Brigades of that time came out of their service deeply resentful of Stalinism, feeling that the Communists had disciplined them very roughly, used them unscrupulously and let them down when it served the purpose of Russian foreign policy. To these veterans should be added those youths to whom Titoism appeals as a form of untainted Communism. It would be strange were Trotzky, belatedly, to arm legions against Stalin.

The picture which our imagination unfolds, while implying more misery for the Yugoslav people, is rife with dangers for the West. The first danger is the obvious one: can the conflict be localized? The second danger is somewhat more subtle. The heroic behavior of Titoists would make the headlines day after day. Hearts would beat for these sturdy people fighting against odds. It would not take long before Titoism would become angelic in our eyes as withstanding the assault of the evil powers. Thus we would find ourselves once more in the position of addressing our affections to a totalitarian power because it is at war with our totalitarian enemy. A moral Yalta is involved in all this. The whole prospect is disquieting.

There are those who remember the tone of Allied propaganda at the outset of World War II. Then we had principles, the principles of freedom. We were fighting a regime which had set itself against them. Nothing could be clearer. When another Power, Soviet Russia, committed an unwarranted aggression against Finland in the midst of our war with Germany, we held a session of the League of Nations to expel Soviet Russia, as guilty of aggression. All this was coherent and laudable. Then the Molotov-Ribbentrop association broke up and Russia, which had played jackal to Germany's hunt, became the great Eastern democracy fighting for liberty. This insult to truth is the original sin which has run right through the history of the last decade, and has corrupted everything.

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